

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 17 January 1978

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National Intelligence Daily Cable for Tuesday, 17 January 1978.

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The NID Cable is for the purpose of informing senior US officials.

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CHINA: Attacking High Officials

25X1 [] One or more members of the Chinese Politburo are apparently the targets of recent articles in the official army newspaper attacking people who shift with the political winds. In an apparently orchestrated campaign, similar articles have appeared in Peking-controlled newspapers in Hong Kong, and wall posters have gone up in the capital that also seem to attack high officials.

25X1 [] Among the possible targets are Peking party boss Wu Te, party Vice Chairman Wang Tung-hsing, and Peking Military Region commander Chen Hsi-lien. There have been rumors for the past year that all three were being criticized for their alleged opposition to party Vice Chairman Teng Hsiao-ping. In fact, the articles quote from Teng's speech at last summer's party congress, leaving little doubt that the attacks are coming from Teng's supporters. An alternate member of the Politburo who was quick to join the attacks on Teng in 1976 has apparently already been purged.

25X1 [] The articles denounce opportunists who threw in their lot with the "gang of four" in order to retain their own positions. One article says such people have a "sharp brain," an expression used in a poster that appeared in Peking a year ago attacking Chen Hsi-lien. An accusation in another article that these individuals have tried to show their innocence by saying they were victimized by the gang could refer to Wu Te and Wang Tung-hsing. Wu was heavily attacked by the gang in 1974, and Wang complained that the gang interfered with the running of the party's General Office, which he heads.

25X1 [] Wu appears to be under especially heavy attack. The Hong Kong Communist press has attacked his speech of April 1976, in which he called on pro-Teng rioters in Peking to disband. A poster accusing the Peking city government, headed by Wu, of suppressing publication of a book commemorating Chou En-lai recently appeared in the capital.

25X1 [] It seems likely that these and possibly other officials have been criticized privately in party councils. The articles render many of the charges and excuses in quotation marks, implying that the articles are in fact revealing the content of actual criticism sessions.

25X1 [] Although the articles leave open the possibility that such individuals can retain their positions by admitting their mistakes--and the likeliest targets appeared in public after the articles were published--the weight of the argument is that this is unlikely because they cannot be trusted, are adept liars, and have persistently denied any wrong-doing.

25X1 [] The timing of the attacks seems to be related to the coming Fifth National People's Congress. The congress rubber-stamps decisions made by the party on appointments to positions in the government and on policy questions. Both Wu Te and Chen Hsi-lien currently hold government positions and may lose them at the congress. Wang Tung-hsing, however, holds no government post. It is possible that the current attacks will result in all three losing their Politburo positions.

25X1 [] These attacks reflect the increasing efforts of Teng Hsiao-ping to consolidate his own power by undercutting those who have opposed him. By going public with his attacks on his opponents, he has probably enhanced his chances at the People's Congress of being named premier, a post currently held by Party Chairman Hua Kuo-feng. Teng is planning to visit Burma and Nepal later this month, and his decision to leave the country suggests his confidence that his own position is secure and that the attacks will have the desired results. []

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ISRAEL: Naval Construction

25X1 [] *Israeli naval shipyards are currently constructing a greater number and variety of major combat boats than ever before. Six guided-missile patrol boats, including the first examples of a new type of boat, are under construction at Haifa, and the prototype of a new small, multipurpose patrol craft is undergoing sea trials in the Red Sea. Some of the new boats probably are destined for the Israeli Navy, while the Israelis probably hope to market others abroad.*

25X1 [] According to [] the US Naval Attache in Tel Aviv, four new Reshef missile boats are being built, the first scheduled to be launched in October. The two other missile boats under construction are enlarged versions of the Reshef, outfitted to carry a helicopter. This new type boat reportedly will be faster than the Reshef and have about two-thirds greater

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range. With the addition of the helicopter platform, however, the boat will have room for only four antiship missile launchers. The Reshef can carry six to eight.

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[] The boat undergoing sea trials in the Red Sea, called the Dvora, is a modification of the Dabur coastal patrol boat and is outfitted to carry two antiship missiles. The conventionally armed Dabur is itself a copy of the US Swift boat and has been produced in Israel since the early 1970s.

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[] We do not know how many of the new boats will be added to the Israeli inventory. The four Reshefs probably are for the navy, although the Israelis almost certainly would be willing to sell them abroad if a customer were found. Tel Aviv authorized an increase in the size of the Reshef fleet from six to 12 boats about three years ago, but no new ones have yet entered the inventory.

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[] Neither the modified Reshef nor the Dvora was requested by the Israeli Navy. They were produced independently by Israel's shipbuilding industry, mainly in an effort to keep the industry operating. The industry finds itself in a dilemma much like that of Israel's domestic aircraft industry. It must pursue follow-on projects or close down production facilities. The prospect for sales abroad are slim, however, and there is only a limited market at home for the industry's products.

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[] The modified Reshef was intended from its conception to be sold on both the domestic and foreign markets. Israeli shipbuilders hoped that they would have more success in attracting foreign customers with the new, larger boat than they had with the smaller Reshef, which to date has been sold only to South Africa.

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[] Although larger than the original Reshef, and having greater range, the new boat offers no significant improvement in capability that is likely to induce potential customers--notably in Latin America and Asia--to buy it. Most of these customers have little need for a long-range patrol boat capable of supporting helicopter operations, which, as the Israelis have already learned, are difficult to master.

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[] The Israeli Navy reportedly rejected the new type Reshef originally because it was incompatible with the navy's operational philosophy centering on small, fast patrol boats. Because of the potential loss of jobs in Israel and the resulting

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effect on the national economy, pressures reportedly were put on the navy to buy the boat and apparently have borne fruit. Late last year, the Israeli Navy began testing the feasibility of flying helicopters from missile boats, temporarily modifying one of their original Reshef boats to carry a helicopter platform.

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[] The Israelis appear to have a better chance of finding customers for the smaller Dvora. The Dvora can provide close-in coastal defense and, when armed with antiship missiles, can provide significant firepower at minimum cost in terms of manpower and investment. The Dvora also could be of value to the Israeli Navy as a replacement for the conventionally armed Dabur, providing a cheap way of bolstering coastal defenses and freeing the larger missile boats for operations more distant from Israeli shores. []

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USSR-NORWAY: Fishing Agreement

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[] *The recent signing by Norway and the USSR of a provisional agreement governing fishing in the disputed "gray zone" of the Barents Sea underlines growing Soviet pressure on Norway on a number of bilateral political and economic issues. The fishing arrangement sidesteps the broader issue of defining the two countries' maritime economic boundary and comes at a time of renewed Soviet suggestions for an agreement on regular political consultations with Norway.*

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[] The need for a fisheries agreement arose when both sides claimed overlapping 200-mile economic zones in the Barents Sea early in 1977. Norway contends that no such temporary agreement for orderly fishing can prejudice its claims in the area, including claims related to the economic exploitation of the continental shelf.

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[] A contentious clause was dropped from the final document. The clause was an apparent effort by the Soviets to undermine the Norwegian position in any future talks on a final resolution of the maritime boundary issue.

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[] The gray zone agreement, which was initialed last year, has been popular with Norway's domestic fishing interests because it allows unimpeded access to a rich fishing area. It

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has also been controversial, however, because it seems to accord legitimacy to the Soviet case as well by calling for joint regulation of waters that are clearly Norwegian.

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[] The Norwegians had expected that a visit to Oslo by Soviet Deputy Foreign Minister Zemskov the week before the interim fishing agreement was signed would result in Soviet pressure to open talks on the broader territorial issues between the two countries. Instead, Zemskov, who is known as a tough bargainer, sought primarily to arrange a visit by Foreign Minister Gromyko.

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[] Zemskov told the Norwegians that Gromyko was interested not in making a "courtesy call" but in a substantive visit that would conclude with the signing of a formal bilateral agreement acknowledging that either side could request joint political consultations on problems of mutual interest.

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[] The Soviets have raised this prospect before, but Zemskov's approach was apparently more intense. The Norwegians turned aside the proposal but indicated that they are prepared to receive Gromyko at any time. The Soviet Foreign Minister has had a standing invitation to Norway for 12 years, but he has yet to visit Oslo.

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[] The new pressure on Norway underlines Moscow's unhappiness over the lack of movement in bilateral relations as well as Soviet perceptions of increased Norwegian military cooperation with West Germany and the US. This attitude was evident in Premier Kosygin's unusual outburst to Scandinavian leaders during celebrations of the 60th anniversary of Finnish independence last month. He singled out Norway for its acceptance of West German participation in NATO exercises held on Norwegian territory and lectured all the Nordic heads of government against cooperation with NATO.

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[] The basic message the Soviets have been trying to deliver is that the USSR is itself a Nordic country, fully entitled to participate in all regional arrangements. As such, the Soviets have sought to introduce the most restrictive interpretations of Norwegian and other Scandinavian security policies and agreements while stressing as often as possible that their viewpoint must be increasingly considered.

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25X1 [] Norwegian parliamentary debate over ratification of the gray zone agreement, which is scheduled for later this month, may indicate the country's receptiveness to further overtures from the Soviets during 1978. []

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25X1 NORTH KOREA: []

25X1 [] //There is some potential for oil reserves off North Korea's west coast in Korea Bay. The Chinese are beginning to produce oil nearby in the Pohai Gulf. North Korea signed a mutual aid agreement with China in 1973 concerning oil exploration in the area, but there has been little evidence of Chinese assistance. The USSR and Romania have helped somewhat with on-shore exploration, but without success. Pyongyang also has made several previous unsuccessful attempts to purchase Western oil technology, equipment, and services.//

25X1 [] North Korea has already begun a limited oil exploration program. A permanent drilling platform is under construction 20 kilometers off the west coast in water 18 meters deep.

Presumably, the platform will house an exploration rig. This structure is unlikely to be a production platform because no offshore exploratory drilling has been observed there in the past.

25X1 [] North Korea's declaration of a 200-mile economic zone and a 50-mile security zone last year was in part related to beginning offshore exploration. Off the west coast, the economic zone was limited to 50 miles because of Chinese territorial claims.

25X1 [] //North Korea's interest in developing domestic oil supplies stems from its desire to reduce both import dependence and its very serious foreign debt problem. A significant oil discovery, even if development took several years, would markedly improve the country's credit rating.//

25X1 [] //Although domestic requirements are small--30,000 to 40,000 barrels per day--they are increasing. North Korea has had some difficulties importing oil from the USSR and China, its principal suppliers. After raising oil prices sharply in 1976, the USSR curtailed exports because of North Korea's large trade imbalance. North Korea has recently been trying to line up non-Communist supplies, but apparently without success.// []

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BRIEF

Finland

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[] Finnish President Kekkonen won another six-year term yesterday as the six parties supporting his reelection won more than 82 percent of the popular vote and will have 260 of the 300 electors who will formally choose the President on 15 February. Despite a weak field of opponents, the reported turnout of around 70 percent of eligible voters approximated that of the previous presidential election in 1968 and indicates that the Finns continue to support the 77-year-old Kekkonen, who has been President for 21 years.

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[] Apparently there has been little movement in voter preferences, either overall or within the broad spectrum--Communists to anti-Soviet Conservatives--of parties supporting Kekkonen. Non-socialist parties won 58.4 percent of the vote, a gain of 2.5 percent over their showing in the most recent parliamentary election, but down 6.8 percent from their share of the vote in 1968. []

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